ASSEMBLY BILL No. 2729

Introduced by Assembly Member Alquist

February 23, 1998

An act to amend Section 14087.3 of the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

AB 2729, as introduced, Alquist. Medi-Cal: managed care provider payment rates.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Services, pursuant to which medical benefits are provided to public assistance recipients and certain other low-income persons.

Existing law authorizes the department to contract with various types of health care providers and entities in order to obtain Medi-Cal services through managed care arrangements.

This bill would require that the department determine preliminary per capita payment rates for managed care providers and notify them of the preliminary rates at least 60 pays prior to the commencement of the contract period, to notify them of the final rate by the first day of the contract period, and to pay interest to those providers on increases in payment rates occurring after the commencement of the contract period. The bill would also prohibit the recapture of any interest on the amount of any reduction in managed care provider per capita rates occurring during the contract period.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 14087.3 of the Welfare and Institutions Code is amended to read:

14087.3. (a) The director may contract, on a bid or nonbid basis, with any qualified individual, organization, or entity to provide services to, arrange for or case manage the care of Medi-Cal beneficiaries. At the director's discretion, the contract may be exclusive or nonexclusive, statewide or on a more limited geographic basis, and include provisions to do the following:

(1) Perform targeted case management of selected services or beneficiary populations where it is expected that case management will reduce program expenditures.

(2) Provide for delivery of services in a manner consistent with managed care principles, techniques, and practices directed at ensuring the most cost-effective and appropriate scope, duration, and level of care.

(3) Provide for alternate methods of payment, including, but not limited to, a prospectively negotiated reimbursement rate, fee-for-service, retainer, capitation, shared savings, volume discounts, lowest bid price, negotiated price, rebates, or other basis.

(4) Secure services directed at any or all of the following:

(A) Recruiting and organizing providers to care for Medi-Cal beneficiaries.

(B) Designing and implementing fiscal or other incentives for providers to participate in the Medi-Cal program in cost-effective ways.

(C) Linking beneficiaries with cost-effective providers.

(5) Provide for:

(A) Medi-Cal managed care plans contracting under this chapter or Chapter 8 (commencing with Section

14200) to share in the efficiencies and economies realized by those contracts.

(B) Effective coordination between contractors operating under this article and Medi-Cal managed care plans in the management of health care provided to Medi-Cal beneficiaries.

(6) Permit individual physicians, groups of physicians, or other providers to participate in a manner that supports the organized system mode of operation.

(7) Encourage group practices with relationships with hospitals having low unit costs.

(b) The director may require individual physicians, groups of physicians, or other providers as a condition of participation under the Medi-Cal program, to enter into capitated contracts pursuant to this section in order to correct or prevent irregular or abusive billing practices. No physician, groups of physicians, or other providers shall be reimbursed for services rendered to Medi-Cal beneficiaries if the physician, group of physicians, or other providers has declined to enter into a contract required by the director pursuant to this section.

(c) The department shall seek federal waivers necessary to allow for federal financial participation under this section.

(d) (1) Notwithstanding the provisions of this chapter, the department shall determine preliminary per capita rates of payment for services provided to Medi-Cal beneficiaries enrolled in a managed care program contracting in areas specified by the director for expansion of the Medi-Cal managed care program under this section, or Sections 14018.7, 14087.31, 14087.35, 14087.36, 14087.38, 14087.96, 14089, and 14089.05, and shall notify the managed care plans of the preliminary contract rate at least 60 days prior to commencement of the contract period. The department shall notify managed care plans of final per capita rates by the first day of the contract.

(2) If capitation rates for contractors to which paragraph (1) applies become effective after the commencement of the contract period, the department

shall pay to any managed care plan that receives a rate increase the interest on the difference between the new rate and the current rate for the period of time between the commencement of the contract period and the effective date of the new rate.

(3) If capitation rates for contractors to which paragraph (1) applies become effective after the commencement of the contract period and a managed care plan receives a new rate decrease, any overpayment by the state for the period of time between the commencement of the contract period and the effective date of the new rate shall not be recaptured by the state.

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